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TAGS: [PGOV](#) [KDEM](#) [ECON](#) [HU](#)
SUBJECT: HUNGARY'S PARTIES PREPARE FOR A WINTER OF
DISCONTENT

REF: A) BUDAPEST 2236 B) BUDAPEST 2230 C) BUDAPEST 2229

Classified By: POL/C ERIC V. GAUDIOSI; REASONS 1.4 (B) AND (D)

¶1. (S) Summary: Conflict between and within Hungary's political parties continues even as the likelihood of large-scale public demonstrations declines. In a meeting with the Ambassador November 7, opposition FIDESZ party leader Viktor Orban alleged that the Gyurcsany government is enforcing party discipline by distributing public funds to MSZP officials and urged us to "follow the money." MSZP insiders report that the Prime Minister is "shaken" but still firmly in control of the party ... for the moment. They perceive jockeying for position among the FIDESZ leadership as well, and most observers predict protracted gridlock as Hungary approaches the holiday season. End Summary.

"Limousine Socialists" ...

¶2. (S) In a meeting with Ambassador Foley November 7, FIDESZ leader Viktor Orban reiterated his denunciation of the Gyurcsany government's convergence plan as "taxation - not reform." In response to the Ambassador's comments re Hungary's economic vulnerability, he evinced no willingness to move forward on reform by engaging on the substance of the debate (ref a). As in previous contacts, he indicated that the opposition has neither the obligation nor the practical ability to propose alternatives. (Note: FIDESZ MP Zsolt Nemeth, among the party's most vocal critics of the MSZP's "limousine socialists," summed up FIDESZ's "1-step economic program" as "dump Gyurcsany." End note.)

In Stolen Limousines?

¶3. (S) Orban did, however, launch a salvo at the government on the basis of corrupt practices, alleging that the government is using pay-offs - particularly from construction contracts - to enforce party discipline. According to Orban, Gyurcsany is backing off on transparency initiatives not due to political pressure (ref b), but because he needs the funds to buy the continued loyalty of the MSZP rank and file. "Money," Orban stated, "will determine whether the party stays with Gyurcsany." He also identified a 3 billion forint (approximately USD 15 million) line item in the budget for "pro-reform propaganda" as an alleged slush fund for the MSZP's use. Orban strongly urged us to follow up with former FM Martonyi to "follow the money," particularly regarding party financing and the energy sector.

¶4. (S) Although FIDESZ continues to stick by its "excommunication" policy toward PM Gyurcsany in particular, Orban warned that the problem is endemic. He alleged that former PM Medgyessey had been "created" and directed by financial interests, and charged that the same elements already "have paper on DefMin Szekeres" - among the potential

successors should the MSZP look to replace Gyurcsany.

Gyurcsany: "Shaken" but not Stirred

¶5. (C) MSZP MP (and Parliamentary Foreign Affairs Committee Deputy Chair) Vilmos Szabo minimized the prospects of any immediate steps to remove Gyurcsany. In a meeting November 7 following the Foreign Affairs Committee's discussion of Hungary's PRT in Afghanistan, Szabo described the PM as "shaken" but still firmly in control of the party. Gyurcsany is "already in charge in all but name," Szabo commented, and the party has few alternatives. Although his internal critics may continue to leak information, he believes the PM is unlikely to face overt challenges until next spring's MSZP party caucus. At present, as one of our colleagues in the diplomatic community observed, "Orban is the biggest thing holding the MSZP together." Szabo advised that his "friends in FIDESZ" often suggest that Gyurcsany's ouster would be the price of "returning to normal," but he noted that he can "always end the conversation" by suggesting Orban's resignation as FIDESZ party president as a quid pro quo.

¶6. (C) Despite his expression of support for Gyurcsany, Szabo was candid in describing the PM as almost completely distracted by the domestic situation and "unable to focus" on foreign policy (ref b). As an example, Szabo noted that he had been unable to get the government to engage on the question of supporting democratic forces in Serbia, an important issue and one he suggested should be easy ... but not under the present circumstances.

¶7. (C) Szabo also expressed concerns re the government's operating efficiency, particularly regarding the near-total breakdown of communication between State Secretary Ferenc

BUDAPEST 00002269 002 OF 002

Gemesi in the PM's office (an office Szabo held during the first Gyurcsany government) and the MFA hierarchy. He believes the PM has centralized authority for many issues in his office but is now unable to manage them effectively, joking that this approach "didn't work for the communists either." He gave credence to recent reports that Gyurcsany will make personnel changes in the New Year, including by installing a Chief of Staff in the PM's office to help improve internal coordination.

¶8. (C) Much as FIDESZ members have predicted cracks in the MSZP's united front (ref b), Szabo suggested that FIDESZ members are also waiting in the wings if Orban crashes and burns. As with many others - on both sides of the aisle - Szabo mentioned Debrecen Mayor Kosa as someone to watch, and also identified former Finance Minister and MP Mihaly Varga as another FIDESZ up-and-comer. Though he sees continued political skirmishing in the near-term, Szabo believes a winter lull is likely. He welcomed FIDESZ's proposed referendum (ref c) as a positive sign, noting that it would at least take the opposition's efforts "away from the street" and back into constitutional means of expression. Looking back on the local elections, Szabo indicated that the opposition's strong performance in the regions could "make it easier" to make the personnel and funding cuts required by the convergence plan.

Fear and Loathing in Budapest

¶9. (S) Comment: Winter may bring a cease-fire in large-scale protests but a fundamental truce remains unlikely. As the publication HVG recently observed, the wide and growing gap between the right and left has become an almost theological divide. Comparing the situation to Northern Ireland, HVG laments the current atmosphere of "poisonous snakes and poison chalices." Orban's corruption allegations may be the latest card played in FIDESZ's continuing campaign against the government, but that does not mean that his charges are unsubstantiated, particularly in a political culture where changes of government have meant changes of personal fortune.

We will continue our efforts to promote transparency and to learn more about the tangled web of party financing. End Comment.

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